

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Combined Financial Statements
With Independent Auditors' Report

December 31, 2017 and 2016

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mennonite Brethren Foundation and Affiliate
Hillsboro, Kansas

We have audited the accompanying consolidated financial statements of Mennonite Brethren Foundation and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mennonite Brethren Foundation and Affiliate as of December 31, 2017 and 2016, and the changes in its consolidated net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Wheaton, Illinois
April 30, 2018

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Consolidated Statements of Financial Position

	December 31,	
	2017	2016
ASSETS:		
Cash and cash equivalents	\$ 1,248,119	\$ 1,201,470
Investments	54,691,007	55,683,257
Loans receivable, net	73,399,471	72,837,770
Interest receivable	264,217	245,726
Prepaid expenses and other	393,984	384,969
Property and equipment, net	2,207,488	1,096,634
Assets held in trust	15,425,699	15,719,213
Investments held for endowment	35,006,530	31,258,132
	<u>\$ 182,636,515</u>	<u>\$ 178,427,171</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 32,140	\$ 117,306
Construction Payable	-	325,757
Earnings payable	63,911	48,172
Investment certificates	63,590,416	63,212,434
Trust liability	13,633,204	14,235,000
Annuities payable	2,885,242	2,910,230
Funds held for others	38,033,361	38,992,688
Pension funds held for others	266,931	381,532
	<u>118,505,205</u>	<u>120,223,119</u>
Net assets:		
Unrestricted:		
Board designated for endowment	5,542,878	5,111,000
Board designated for administration	661,986	635,896
Net investment in property and equipment	2,207,488	770,877
Undesignated	22,628,381	22,004,174
Temporarily restricted	9,576,363	7,389,459
Permanently restricted	23,514,214	22,292,646
	<u>64,131,310</u>	<u>58,204,052</u>
Total Liabilities and Net Assets	<u>\$ 182,636,515</u>	<u>\$ 178,427,171</u>

See notes to combined financial statements

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Consolidated Statements of Activities

	Year Ended December 31,							
	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Interest on loans receivable	\$ 3,566,678	\$ -	\$ -	\$ 3,566,678	\$ 3,790,952	\$ -	\$ -	\$ 3,790,952
Contributions	4,721,997	268,533	483,278	5,473,808	4,475,814	27,567	582,433	5,085,814
Fees and other	681,216	42,000	-	723,216	1,118,009	39,093	-	1,157,102
Investment income	2,000,500	3,239,501	(63,720)	5,176,281	1,386,600	1,207,790	(27,040)	2,567,350
Gain on sale of property and equipment	97,644	-	-	97,644	-	-	-	-
Change in value of annuities and trusts	101,159	302,930	(26,932)	377,157	91,795	47,133	5,972	144,900
Change in value of deferred gifts	-	(205,526)	-	(205,526)	-	78,987	-	78,987
	<u>11,169,194</u>	<u>3,647,438</u>	<u>392,626</u>	<u>15,209,258</u>	<u>10,863,170</u>	<u>1,400,570</u>	<u>561,365</u>	<u>12,825,105</u>
RECLASSIFICATIONS:								
Net assets released from purpose restrictions	1,298,683	(1,298,683)	-	-	834,602	(834,602)	-	-
Transfer per donor stipulation (Note 14)	(667,091)	(161,851)	828,942	-	(1,264,411)	(78,327)	1,342,738	-
	<u>631,592</u>	<u>(1,460,534)</u>	<u>828,942</u>	<u>-</u>	<u>(429,809)</u>	<u>(912,929)</u>	<u>1,342,738</u>	<u>-</u>
EXPENSES:								
Program services	7,969,803	-	-	7,969,803	5,415,648	-	-	5,415,648
Supporting activities:								
Management and general	1,066,537	-	-	1,066,537	871,369	-	-	871,369
Planned giving	245,660	-	-	245,660	248,283	-	-	248,283
	<u>9,282,000</u>	<u>-</u>	<u>-</u>	<u>9,282,000</u>	<u>6,535,300</u>	<u>-</u>	<u>-</u>	<u>6,535,300</u>
Change in Net Assets	2,518,786	2,186,904	1,221,568	5,927,258	3,898,061	487,641	1,904,103	6,289,805
Net Assets, Beginning of Year	28,521,947	7,389,459	22,292,646	58,204,052	24,623,886	6,901,818	20,388,543	51,914,247
Net Assets, End of Year	<u>\$31,040,733</u>	<u>\$ 9,576,363</u>	<u>\$23,514,214</u>	<u>\$64,131,310</u>	<u>\$28,521,947</u>	<u>\$ 7,389,459</u>	<u>\$22,292,646</u>	<u>\$58,204,052</u>

See notes to combined financial statements

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 5,927,258	\$ 6,289,805
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	45,165	11,812
Net realized and unrealized gain on investments	(3,787,692)	(1,324,708)
Gift portion of new charitable gift annuities	(348,092)	(311,572)
Gift portion of new trust agreements	-	(23,556)
Maturities of charitable gift annuities	(189,916)	(57,411)
Payments on charitable gift annuities	459,075	465,787
Charitable gift annuity actuarial change	(221,980)	(104,594)
Change in value of charitable trusts	(308,282)	(47,893)
Interest reinvested in investment certificates	993,873	824,710
Donated real estate	(1,475,000)	(195,000)
Donated personal property	-	(236,640)
(Gain) loss on disposal of property and equipment	(97,644)	7,098
Changes in:		
Interest receivable	(18,491)	(9,108)
Prepaid expenses and other	(9,015)	5,744
Accounts payable and accrued expenses	(410,923)	92,637
Earnings payable	15,739	(4,518)
Pension funds held for others	(114,601)	(22,055)
Net Cash Provided by Operating Activities	459,474	5,360,538
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	47,053,357	32,827,193
Purchase of investments	(45,714,720)	(31,503,005)
Loan advances	(6,947,581)	(12,009,096)
Loan principle received	6,385,880	8,314,994
Proceeds from sale of property and equipment	119,717	-
Purchase of property and equipment	(1,178,092)	(699,372)
Net Cash Used by Investing Activities	(281,439)	(3,069,286)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of investment certificates	22,102,310	10,331,672
Redemptions of investment certificates	(22,718,201)	(13,390,085)
Face value of new annuity and trust agreements	735,000	744,267
Payments on charitable gift annuities and trusts	(646,255)	(649,875)
Investment income on assets held in trust	395,760	207,427
Net Cash Used by Financing Activities	(131,386)	(2,756,594)
Net Change in Cash and Cash Equivalents	46,649	(465,342)
Cash and Cash Equivalents, Beginning of Year	1,201,470	1,666,812
Cash and Cash Equivalents, End of Year	\$ 1,248,119	\$ 1,201,470
SUPPLEMENTAL INFORMATION:		
Cash paid for interest	\$ 145,819	\$ 123,236
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Matured investment certificates reinvested	\$ 19,812,090	\$ 24,188,180
Disposal of fully depreciated property and equipment	\$ 75,581	\$ 14,100
Property and equipment acquired with construction payable	\$ -	\$ 325,757

See notes to combined financial statements

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

1. NATURE OF ORGANIZATION:

The consolidated financial statements include the financial statements of Mennonite Brethren Foundation (Foundation) and its affiliate, Mennonite Brethren Loan Fund (Fund), which are related through a common Board of Directors. All material intercompany transactions have been eliminated. The consolidated entity is hereinafter referred to as the Organization.

The Foundation is a service agency whose primary mission is to encourage and assist individuals, congregations and ministries in the Mennonite Brethren community with Biblical financial stewardship solutions. Services provided to Mennonite Brethren agencies, institutions, churches and their members include providing planned giving options, providing stewardship education and managing endowment funds. The Foundation is engaged by and has power of attorney for The United States Conference of Mennonite Brethren Churches as agent for the purpose of conducting all their stewardship, financial counseling, financial management and trust programs within the boundaries of the United States of America.

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Fund has been classified as an organization that is not a private foundation under IRC Section 509(a)(3).

The Fund was established by the Foundation as an affiliated organization. The Fund is a service agency whose primary mission is to serve the financial needs of Mennonite Brethren conferences, churches, institutions, agencies. Activities include loaning funds to Mennonite Brethren organizations for purchase or construction of facilities or for operations and to qualified workers of Mennonite Brethren churches for the purpose of purchasing their residences; raising capital from Mennonite Brethren organizations and individuals; and expressing generosity by making grants from earnings to the Foundation.

The Fund is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Fund has been classified as an organization that is not a private foundation under IRC Section 509(a)(1).

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The consolidated financial statements of the Organization have been prepared using the accrual basis of accounting. The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America (GAAP), requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking accounts and sweep accounts. Other accounts such as money market accounts are considered investments regardless of their original maturity.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments in equity securities with readily determinable fair values and all debt securities are reported at fair value, which is based on quoted market prices. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Non-publicly traded securities and limited partnership interests are reported at fair value, determined by management using independent appraisals, discounted future cash flows and sales of similar investments. Discounts for lack of liquidity or marketability are taken into consideration when applicable. Investment in some interest bearing deposits are recorded at cost plus accrued interest.

Notes receivable are reported at amortized cost, and interest bearing deposits are recorded at cost plus accrued interest. Interest is calculated and recognized using the simple interest method. Donated stocks, bonds, mutual funds and government securities are recorded at quoted value or appraised fair value (as determined by appraisal) at date of donation and thereafter carried in accordance with the above policies.

Investment income and realized and unrealized gains and losses are included in unrestricted investment income unless a donor or law temporarily or permanently restricts their use.

LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

Loans receivable consist of loans primarily to Mennonite Brethren churches, organizations and qualified church workers, primarily secured by real estate mortgages, although the Fund does make some unsecured loans and some loans that are secured by third-party guarantees and other forms of collateral. Most of the loans are originally set up for a term of ten or fifteen years. Loans are reported at their outstanding principal balances net of loan participation interests sold and allowance for loan losses.

The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to absorb probable loan losses. The amount is based upon an analysis of the loan portfolio by management including, but not limited to, review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This process is based on estimates and ultimate losses may vary from current estimates. As changes in estimates occur, adjustments to the level of the allowance are recorded in the provision for potential loan losses in the period in which they become known.

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES, continued

Due to the nature of the relationship with its borrowers, the Fund is willing to make accommodations with borrowers whose payments are not current, so long as such accommodations do not jeopardize the interests of the Fund's investors. A loan is considered impaired when, based upon current information and events, it is probable that the Fund will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans are classified as delinquent when payments are 90 days overdue. Delinquent and impaired loans continue to accrue interest. Payments on delinquent and impaired loans are recorded first as interest income and then as a reduction in principal. The accrual of interest income is discontinued when, in management's judgment, the scheduled interest may not be collectable within the stated term of the loan. Interest income is recognized on a cash basis for loans classified as nonaccrual loans, with subsequent payments applied first to interest and fees, if any, and then to principal. Loans classified as nonaccrual loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

During 2017, the Fund sold a non-recourse participation interest in a loan to the Church Loan Fund. The Fund collected all payments on the loan and remitted proportionate amounts to the participant. Loans receivable at December 31, 2017, are reported net of participation interests sold.

During 2017, the Fund purchased a loan participation originated by the Converge Cornerstone Fund. During 2016, the Fund purchased a loan participation originated by the Christian Financial Resources, Inc. All of the loan participations were purchased without recourse and are secured by real property. Loan servicing functions on these loans are retained by the originator.

PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost if purchased or at fair value at date of gift if donated. Depreciation is provided on a straight-line method over the estimated useful lives of the assets. The Organization capitalizes purchases of assets with a cost of \$2,000 or more and a useful life in excess of one year.

Property and equipment consist of the following:

	December 31,	
	2017	2016
Office building and land	\$ 2,145,518	\$ 276,037
Furniture, fixtures and equipment	146,963	243,293
	<u>2,292,481</u>	<u>519,330</u>
Less accumulated depreciation	(84,993)	(314,179)
Construction in progress	-	891,483
	<u>\$ 2,207,488</u>	<u>\$ 1,096,634</u>

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ASSETS HELD IN TRUST

Assets held in trust consist of charitable remainder trusts with revocable and irrevocable beneficiary interests. Assets held in trust are valued the same as investments. Gains and losses (including realized and unrealized) from all of these assets are reported as a component of change in value of charitable trusts or as a component of trust liability if the trustor has the ability to change the remainderman until the point the trust matures.

FUNDS HELD FOR OTHERS

Funds held for others consist of those assets held on behalf of other organizations. These assets are valued the same as investments and comingled with other Organization assets. All activity related to these assets is recorded directly to assets and a corresponding liability account as they are accounted for as agency funds.

ANNUITIES PAYABLE

Gift annuities are recognized as income at the date of the gift, net of actuarial liability, which is the present value of the annuity payments based on the life expectancy of the donor and a discount rate of 6 percent. Annually, an adjustment is made to income and the actuarial liability to record the actuarial gain or loss due to recomputation of the liability based upon the revised life expectancy. Additional income is recognized upon termination of the annuity contract. Amounts received from annuity contracts are invested with other pooled investments which include money market accounts and loans receivable. Total annuity funds invested are \$7,082,085 and \$6,499,505 at December 31, 2017 and 2016, respectively, including \$2,296,620 and \$2,267,167, respectively, held in trust for California annuitants.

TRUST LIABILITY

Trust liability includes irrevocable charitable remainder unitrusts and represents the present value of future cash flows to income beneficiaries and the portion of trusts due other remaindermen. The present value of future cash flows to income beneficiaries is computed using published mortality rate tables adopted by the IRS at an assumed rate of return based on the current applicable federal rate to determine the present value of the actuarially determined liability. The resulting actuarial gain or loss is recorded as a component of the change in value for agreements where the Foundation has an irrevocable interest. If the Foundation does not have an irrevocable interest, the resulting actuarial gain or loss is recorded directly to the due other remaindermen liability. At the death of the lifetime beneficiaries, the trusts provide for the distribution of assets to the Foundation.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

Information regarding financial position and activities is reported in three classes of net assets based on the existence of, or absence of, donor-imposed restrictions. Net assets are classified as follows:

Unrestricted net assets are those currently available for Organization purposes under the direction of the Board, those designated by the Board for specific use and those resources invested in property and equipment.

Temporarily restricted net assets are those contributed with donor stipulations for specific operating purposes or programs, those with time restrictions, undistributed endowment investment income, or those not currently available for use until commitments regarding their use have been fulfilled or lifetime beneficiary interests have ceased.

Permanently restricted net assets are those which represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as unrestricted or temporarily restricted, as per endowment agreements.

SUPPORT, REVENUE, EXPENSES AND DISTRIBUTIONS

Contributions to gift agreements, including donor advised funds, are reported as income when made, which may be when cash is received, unconditional promises are made or ownership of donated assets is transferred. Fees and other income includes management fees, rent and other miscellaneous income and is recognized as earned. Noncash gifts are recorded at their estimated fair market value at the date of donation. Investment income is recognized when earned.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Grants to qualified organizations in accordance with various gift agreements are recognized when the grants are approved by the Foundation or upon maturity of the agreement at the donor's death. Earnings payable represent endowment distributions and trust payments owed but unpaid at year end. Operating expenses are recognized when incurred in accordance with the accrual basis of accounting and include certain costs associated with administration of gift agreements. The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. A portion of planned giving expenses represents fund-raising expenses.

Advertising costs are expensed as incurred and totaled \$77,722 and \$60,629 for the year ended December 31, 2017 and 2016, respectively.

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

3. INVESTMENTS:

Investments consist of the following:

	December 31,	
	2017	2016
At fair value:		
Money market funds	\$ 2,312,074	\$ 7,725,910
Certificates of deposit	1,638,225	1,883,207
U.S. government securities	4,781,026	4,126,524
Corporate bonds	12,667,822	12,897,428
Equities	36,319,719	29,892,929
Mutual funds	21,779,384	18,484,593
Mortgage pools	4,317,295	4,152,135
CMO and asset backed securities	467,188	655,469
Non-publicly traded securities and limited partnership interests	553,134	642,773
Real estate	5,038,280	5,968,983
Commodities	111,842	109,250
Personal Property	-	236,640
	89,985,989	86,775,841
At Cost:		
Denominational loan fund certificates	11,910,678	12,312,676
Certificate of deposit	273,608	270,791
	12,184,286	12,583,467
At contract value:		
Cash value life insurance	670,461	1,404,210
	670,461	1,404,210
At net asset value:		
Limited partnership	2,078,055	1,683,054
	2,078,055	1,683,054
At other than fair value:		
Loans receivable	204,445	214,030
	105,123,236	102,660,602
Less:		
Investments held for endowment	(35,006,530)	(31,258,132)
Assets held in trust	(15,425,699)	(15,719,213)
	\$ 54,691,007	\$ 55,683,257

Investment income consists of the following for the years ended:

	December 31,	
	2017	2016
Interest and dividend income	\$ 1,730,108	\$ 1,494,121
Net realized and unrealized gains	3,787,692	1,324,708
Investment management and custodial fees	(341,519)	(251,479)
	\$ 5,176,281	\$ 2,567,350

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

4. LOANS RECEIVABLE, NET:

A summary of loans receivable classified by interest rates is as follows:

	December 31,	
	2017	2016
4 1/2% or less	\$ 8,267,774	\$ 3,954,513
over 4 1/2 to 5 1/2%	63,544,882	64,086,428
over 5 1/2 to 6 1/2%	4,304,427	7,514,441
	76,117,083	75,555,382
Allowance for losses	(2,717,612)	(2,717,612)
	\$ 73,399,471	\$ 72,837,770
Allowance for losses:		
Beginning of year	\$ 2,717,612	\$ 2,717,612
Write-downs	-	-
End of Year	\$ 2,717,612	\$ 2,717,612

The Fund evaluates loans for impairment on an individual basis if the loan is more than 90 days delinquent. These loans are then given a specific allowance based on the estimated net realizable value of property serving as collateral. All other loans are evaluated for allowance on a collective basis. At December 31, 2017, all loans were collectively evaluated and no impairment was noted.

Status for performing and nonperforming real estate loans is based on payment activity for the year. Payment activity is reviewed by management on a monthly basis to determine how loans are performing. Loans are considered to be nonperforming when days delinquent is greater than 60 days in the previous month. The following table presents credit exposure by performance statue:

	December 31,	
	2017	2016
Performing	\$ 76,117,083	\$ 75,555,382
Nonperforming	-	-
	\$ 76,117,083	\$ 75,555,382

The Fund classifies loans as past due if the loan is more that 30 days past due but less than 90 days delinquent. There were no past due loans or loans classified as delinquent or impaired as of December 31, 2017 and 2016.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

4. LOANS RECEIVABLE, NET, continued:

Loans receivable at December 31, 2017, will mature as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 4,005,539
2019	3,496,724
2020	2,611,846
2021	2,667,688
2022	7,826,391
Thereafter	<u>55,508,895</u>
	<u><u>\$ 76,117,083</u></u>

As of December 31, 2017, the Fund had one unsecured loan totaling \$2,982, three loans totaling \$128,443 that were secured by third party guarantees and two loans totaling \$460,491 secured by other assets. The loans receivable earn interest at fixed or variable rates which ranged from 2.60 percent to 6.20 percent at December 31, 2017.

The Fund had 135 loans at December 31, 2017. Although the Fund has no geographic restrictions within the United States on where loans are made, aggregate loans in excess of five percent of total balances at December 31, 2017, were located in the following states:

<u>State</u>	<u>Number of Loans</u>	<u>Principal Outstanding</u>	<u>Percent of Loan Portfolio</u>
California	45	\$ 15,486,932	20%
Washington	16	13,634,065	18%
Oregon	9	9,901,963	13%
Utah	5	7,031,113	9%
North Carolina	5	5,772,112	8%
Colorado	8	5,001,908	7%
Arizona	5	<u>4,516,865</u>	<u>6%</u>
	<u>93</u>	<u>\$ 61,344,958</u>	<u>81%</u>

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

4. LOANS RECEIVABLE, NET, continued:

At December 31, 2017, the Fund had 104 borrowers with balances as follows:

Loan Balance	Number of Borrowers	Principal Outstanding	Percent of Loan Portfolio
\$0 - \$500,000	63	\$ 9,515,178	12%
\$ 500,001 - \$1,000,000	16	11,089,368	15%
\$1,000,001 - \$1,500,000	8	9,916,516	13%
\$1,500,001 - \$2,000,000	7	11,650,645	15%
\$2,000,001 - \$2,500,000	2	4,458,827	6%
\$2,500,001 - \$3,000,000	4	10,569,113	14%
Over \$3,000,000	4	18,917,436	25%
	<u>104</u>	<u>\$ 76,117,083</u>	<u>100%</u>

Although the Fund has a diverse portfolio of loans to Mennonite Brethren churches, organizations and qualified church workers, concentrations of credit risk exist with respect to individually significant borrowers, which are defined as those exceeding five percent of the total loan portfolio. At December 31, 2017, there were two individually significant borrowers whose balances totaled \$12,031,113.

5. ASSETS HELD IN TRUST:

The Organization administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Organization's use. The portion of the trust attributable to the future interest of the Organization is recorded in the consolidated statement of activities as temporarily restricted contributions in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair value in the Organization's consolidated statement of financial position. On an annual basis, the Organization revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a stated contract rate and applicable mortality tables.

The assets of the remainder trust funds are invested in the following:

	December 31,	
	2017	2016
Money market funds	\$ 397,331	\$ 431,225
Equities, equity and bond funds	13,987,120	12,408,225
Corporate bonds	32,432	31,332
Real estate	639,011	2,164,867
Cash value life insurance	280,012	587,827
Loans receivable	89,793	95,737
	<u>\$ 15,425,699</u>	<u>\$ 15,719,213</u>

The above amounts are included as assets of the Foundation.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
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5. ASSETS HELD IN TRUST, continued:

Liabilities and net assets held in trust consist of:

	December 31,	
	2017	2016
Irrevocable charitable beneficiary - payment liability	\$ 1,372,316	\$ 1,472,017
Revocable charitable beneficiary (liability equals assets)	12,260,888	12,762,983
	13,633,204	14,235,000
Temporarily restricted net assets for irrevocable charitable remainder trusts	1,792,495	1,484,213
	\$ 15,425,699	\$ 15,719,213

6. CHANGE IN VALUE OF CHARITABLE GIFT ANNUITIES AND TRUSTS

Change in value consists of the following for the years ended:

	December 31,	
	2017	2016
<u>Change in Value of Charitable Gift Annuities:</u>		
Interest and dividends	\$ 152,040	\$ 134,535
Net realized and unrealized gains	604,870	344,746
Actuarial change	221,980	104,594
Maturities	189,916	57,411
Transfer to endowment upon maturity of annuity	(62,392)	(9,099)
Payments and distributions (including miscellaneous expenses)	(1,037,539)	(535,180)
	68,875	97,007
<u>Change in Value of Charitable Trusts (Irrevocable Beneficiary):</u>		
Interest and dividends	77,776	65,372
Net realized and unrealized gains	317,984	142,055
Actuarial change	99,702	24,554
Payments (including miscellaneous expenses)	(187,180)	(184,088)
	308,282	47,893
Total change in value of annuities and trusts	\$ 377,157	\$ 144,900

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
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7. INVESTMENT CERTIFICATES:

The Fund issues certificates, which are the Fund's unsecured debt securities, to Mennonite Brethren churches, organizations and members that invest in the Fund. Certificates are redeemable at the end of the terms ranging from one to five years or on demand and earn interest at variable rates (from 0.35% to 2.50% at December 31, 2017). The Fund was indebted on investment certificates as summarized below:

	December 31,	
	2017	2016
Demand:		
Advantage	\$ 10,682,712	\$ 11,178,879
Demand	3,247,771	3,317,195
	13,930,483	14,496,074
Term:		
One year	10,110,677	11,739,333
Two year	9,332,976	7,109,549
Three year	5,980,796	5,587,237
Four year	750,658	1,090,095
Five year	23,484,826	23,190,146
	49,659,933	48,716,360
	\$ 63,590,416	\$ 63,212,434

Amounts are presented in the schedule below based on the year in which the investment certificates are scheduled to mature. Notwithstanding the foregoing, demand certificates below are payable upon 30 days written notice; term certificates may not be redeemed without the Fund's consent before they mature and any redemptions prior to maturity are subject to substantial penalties.

Year of Maturity	Amount
Demand	\$ 13,930,483
2017	20,881,148
2018	10,371,022
2019	6,310,958
2020	7,344,256
2021	4,752,549
	\$ 63,590,416

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
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7. INVESTMENT CERTIFICATES, continued:

At December 31, 2017, the Fund had a total of 180 investor households with aggregate investment certificate balances of \$100,000 or more as follows:

<u>Certificate Balances</u>	<u>Number of Investor Households</u>	<u>Aggregate Balances</u>	<u>Percent of Certificate Balances Outstanding</u>
\$100,000 - \$200,000	98	\$ 13,666,478	21%
\$200,001 - \$300,000	43	10,368,259	16%
\$300,001 - \$500,000	24	9,371,485	15%
Greater than \$500,000	12	14,601,270	23%
Related parties (Note 12)	3	739,818	1%
	<u>180</u>	<u>\$ 48,747,310</u>	<u>76%</u>

At December 31, 2017, the Fund had 1,411 certificates, with the primary concentrations by state as follows:

<u>State</u>	<u>Number of Certificates</u>	<u>Aggregate Investment Certificate Balances</u>	<u>Percent of Certificate Balances Outstanding</u>
California	405	\$ 24,409,189	38%
Kansas	601	24,032,039	38%
Oklahoma	177	7,829,722	12%
	<u>1,183</u>	<u>\$ 56,270,950</u>	<u>88%</u>

8. PENSION FUNDS HELD FOR OTHERS:

Pension funds held for others represents funds held by the Foundation for MB Mission (an affiliated entity). The Organization holds these funds for MB Mission for purposes of making pension disbursements on its behalf. A corresponding amount is included in assets which offsets this liability (accounted for as agency funds).

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

9. NET ASSETS:

Temporarily restricted net assets consist of the following:

	December, 31	
	2017	2016
Unitrusts - restricted beneficiaries	\$ 1,792,495	\$ 1,484,213
Life estates	1,745,610	1,887,179
Term endowments	2,607,817	2,358,815
Unexpended endowment income	3,341,621	1,561,612
Other	88,820	97,640
	\$ 9,576,363	\$ 7,389,459

Permanently restricted net assets consist of the following:

Endowment	\$ 23,475,582	\$ 22,227,082
Annuities - restricted for endowment	38,632	65,564
	\$ 23,514,214	\$ 22,292,646

10. CONCENTRATION OF CREDIT RISK:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents, marketable securities and loans receivable.

From time to time, cash deposits are in excess of FDIC insured limits; while management is mindful of the FDIC limits, they realize that cash balances generated in ordinary course of business will generally exceed FDIC insured limits. At December 31, 2017, approximately \$82.8 million of the Organization's investment portfolio was held by the investment management firm of Charles Schwab & Co., Inc. The Organization has not experienced any losses on these accounts and does not believe it is exposed to any significant risk of loss related to these.

Concentrations of credit risk with respect to loans receivable are limited to a certain extent by the secured position of the Fund in most instruments, the number of organizations comprising the Fund's loans receivable base and their dispersion across geographic areas, and the Fund's policy of limiting the maximum loan amount to any one borrower. As described in Note 4, the Fund's policy is to limit loans to Mennonite Brethren churches, organizations and qualified church workers. At December 31, 2017, approximately 68% of the loans were to qualified organizations, 7% were to qualified church workers and 25% were to other organizations. Loans made by the Fund are typically secured by first mortgages and are normally limited to 75% of the aggregate cost or value of the property securing the loan. As described in Note 4, the Fund also had \$591,916 in unsecured loans, loans secured by third party guarantees or other sources. While the Fund may be exposed to credit losses in the event of nonperformance by the above contracting parties, management has established an allowance for potential loan losses, which it believes is adequate to cover any such losses.

A substantial portion of the investment certificates issued by the Fund are demand instruments or will be maturing within the next two years. The Fund has insufficient liquid assets to satisfy repayment of this amount. Management anticipates, similar to past history, that a substantial portion of these certificates will be reinvested or rolled over into new certificates with the Fund.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

11. RETIREMENT PLAN:

The Fund contributed 6% of annual compensation for all eligible employees to the 403(b)(9) Retirement Plan of the Mennonite Brethren. Employer contributions totaled \$43,410 and \$29,877 during 2017 and 2016, respectively. Prior to May 1, 2016, the Fund participated in the United States Conference Retirement Plan for Church Workers and contributed \$9,789 during 2016.

12. RELATED PARTY TRANSACTIONS:

The Fund offers a Home Loan program in which loans are available for the purchase or construction of primary residences in the United States for qualified church, district and conference employees. In addition, it is available to the Fund's staff as a benefit of employment. Board members, who are otherwise eligible, may participate in the Home Loan program. At December 31, 2017, the Fund had two loans with an outstanding combined balance of \$159,015, with a weighted average interest rate of 2.96%, with two officers. As of that same date, the Fund had one loan outstanding to one employee with an outstanding balance of \$30,305 with an interest rate of 2.95%. At December 31, 2017, the Fund had three certificates totaling \$481,865, with an interest rate of 0.75%, to two Mennonite Brethren Conferences who have board members also on the Fund's board. The fund also has four certificates totaling \$257,952, with an interest rate of 0.75%, to an educational institution who has a board member also on the Fund's board. At December 31, 2017, the Fund also had two line of credit loan commitments to Mennonite Brethren Conferences for a total of \$500,000 with an interest rate of 4.70%, of which \$2,982 was funded. At December 31, 2017, the Fund had two loans with an outstanding balance of \$645,245, with an interest rate of 4.70%, to a church whose pastor is also on the Fund's board.

At December 31, 2016, the Fund had three loans with an outstanding combined balance of \$194,642, with a weighted average interest rate of 3.17%, with three officers. As of that same date, the Fund had two loans outstanding to two employees with an outstanding combined balance of \$151,701 with a weighted average interest rate of 3.16%. At December 31, 2016, the Fund had three certificates totaling \$455,225, with an interest rate of 0.75%, to two Mennonite Brethren Conferences who have board members also on the Fund's board. The Fund also has four certificates totaling \$295,940, with an interest rate of 0.75%, to an educational institution who has a board member also on the Fund's board. At December 31, 2016, the Fund also had two line of credit loan commitments to Mennonite Brethren Conferences for a total of \$500,000 with an interest rate of 4.70%, of which \$11,853 was funded. At December 31, 2016, the Fund had two loans with an outstanding balance of \$667,783, with an interest rate of 4.70%, to a church whose pastor is also on the Fund's board.

During 2017 and 2016, the Foundation also made a grant totaling \$220,801 and \$176,988, respectively, to the U.S. Conference.

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
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13. LOAN COMMITMENTS

In the normal course of business, the Fund makes commitments to extend loans to meet the financing needs of Mennonite Brethren churches, organizations and qualified church workers. At December 31, 2017, the Fund had outstanding commitments of approximately \$8,300,000 to fund construction in progress, undrawn lines of credit and real estate mortgages.

Outstanding commitments are letters that outline the terms and conditions of the mortgage to be granted. The total commitment amount does not necessarily represent future cash requirements since construction costs may not total the amount the Fund agreed to lend or the commitments may expire without being fully drawn upon. The Fund's exposure to credit loss, in the event of nonperformance by the churches to which it has extended commitments, is limited to the amount of the commitment. The Fund controls the credit risk of its commitments through credit approvals, limits and monitoring procedures.

14. ENDOWMENT FUNDS:

The Foundation's endowment consists of 143 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

14. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted funds	\$ -	\$ 5,949,438	\$ 23,514,214	\$ 29,463,652
Board designated funds	5,542,878	-	-	5,542,878
 Total funds	 <u>\$ 5,542,878</u>	 <u>\$ 5,949,438</u>	 <u>\$ 23,514,214</u>	 <u>\$ 35,006,530</u>

Changes in endowment net assets for year ended December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 5,045,059	\$ 3,920,427	\$ 22,292,646	\$ 31,258,132
Investment return:				
Investment income	93,465	462,855	-	556,320
Net gains (losses) (realized and unrealized)	521,753	2,545,945	(63,720)	3,003,978
Total investment return	615,218	3,008,800	(63,720)	3,560,298
Contributions	-	735	483,278	484,013
Rental Income	-	42,000	-	42,000
Amounts appropriated for expenditure	(201,119)	(943,477)	-	(1,144,596)
Other changes:				
Change in value of annuities	-	-	(26,932)	(26,932)
Transfer per donor stipulation	83,720	(79,047)	(25,283)	(20,610)
Transfer to endowment from donor advised fund	-	-	678,629	678,629
Transfer to endowment from life estate	-	-	113,204	113,204
Transfer to endowment upon maturity of annuity	-	-	62,392	62,392
	<u>497,819</u>	<u>2,029,011</u>	<u>1,221,568</u>	<u>3,748,398</u>
Endowment net asset, end of year	<u>\$ 5,542,878</u>	<u>\$ 5,949,438</u>	<u>\$ 23,514,214</u>	<u>\$ 35,006,530</u>

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

14. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted funds	\$ (65,941)	\$ 3,920,427	\$ 22,292,646	\$ 26,147,132
Board designated funds	5,111,000	-	-	5,111,000
 Total funds	 <u>\$ 5,045,059</u>	 <u>\$ 3,920,427</u>	 <u>\$ 22,292,646</u>	 <u>\$ 31,258,132</u>

Changes in endowment net assets for year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 4,265,671	\$ 3,585,980	\$ 20,388,543	\$ 28,240,194
Investment return:				
Investment income	99,159	280,163	-	379,322
Net gains (losses) (realized and unrealized)	344,717	927,627	(27,040)	1,245,304
Total investment return	443,876	1,207,790	(27,040)	1,624,626
Contributions	-	493	582,433	582,926
Rental Income	-	39,093	-	39,093
Amounts appropriated for expenditure	(307,800)	(834,602)	-	(1,142,402)
Other changes:				
Change in value of annuities	-	-	5,972	5,972
Transfer per donor stipulation	92,008	(78,327)	(1,285)	12,396
Transfer to endowment from trusts			483,988	483,988
Transfer to endowment from donor advised fund	551,304	-	850,936	1,402,240
Transfer to endowment upon maturity of annuity	-	-	9,099	9,099
	<u>779,388</u>	<u>334,447</u>	<u>1,904,103</u>	<u>3,017,938</u>
Endowment net asset, end of year	<u>\$ 5,045,059</u>	<u>\$ 3,920,427</u>	<u>\$ 22,292,646</u>	<u>\$ 31,258,132</u>

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

14. ENDOWMENT FUNDS, continued:

	December 31,	
	2017	2016
Permanently restricted net assets:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA.	\$ 23,514,214	\$ 22,292,646
Temporarily restricted net assets:		
Term endowments	\$ 2,607,817	\$ 2,358,815
The portion of perpetual endowment funds subject to a time restriction under UPMIFA with purpose restrictions	3,341,621	1,561,612
Total endowment funds classified as temporarily restricted net assets	\$ 5,949,438	\$ 3,920,427

Funds with Deficiencies:

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$0 and \$65,941 as of December 31, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations.

Return Objectives and Risk Parameters:

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce an inflation adjusted income stream to grow the corpus above the inflation rate. The Foundation expects its endowment funds, over time, to provide an average rate of return of between 6.5% and 9% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-return objectives, The Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
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14. ENDOWMENT FUNDS, continued:

Spending Policy and How the Investment Objectives Related to Spending Policy:

The Foundation has a policy of appropriating for distribution each year 4% percent of its endowment fund's average fair value over the 3 previous calendar year ends. In establishing this policy, the Foundation considered long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 1.75% to 4.25% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

15. FAIR VALUE MEASUREMENTS AND DISCLOSURES:

The Organization uses appropriate valuation techniques to determine fair value based on inputs available. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available. The valuations for each of these levels are determined as follows:

Level 1 - Quoted prices for identical instruments traded in active markets.

Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets or model-based valuations where significant assumptions are observable.

Level 3 - Model-based techniques using significant assumptions that are not observable. These unobservable assumptions reflect estimates of assumptions that market participants would use.

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15. FAIR VALUE MEASUREMENTS AND DISCLOSURES, continued:

The table below presents the level within the fair value hierarchy at which investments are measured at December 31, 2017:

	Total	Level 1	Level 2	Level 3
Corporate Bonds				
AAA	\$ 73,717	\$ -	\$ 73,717	\$ -
AA	808,674	-	808,674	-
A	3,833,639	-	3,833,639	-
BBB	7,771,475	-	7,771,475	-
BB+ or below/not rated	180,317	-	180,317	-
	<u>12,667,822</u>	<u>-</u>	<u>12,667,822</u>	<u>-</u>
Equities				
Consumer goods	6,811,849	6,811,849	-	-
Industrials goods	4,295,719	4,295,719	-	-
Materials	2,081,343	2,081,343	-	-
Communication Services	1,397,995	1,397,995	-	-
Energy	3,188,089	3,188,089	-	-
Real Estate	242,349	242,349	-	-
Technology	6,192,307	6,192,307	-	-
Healthcare	3,298,728	3,298,728	-	-
Utilities	2,805,381	2,805,381	-	-
Financial	6,005,959	6,005,959	-	-
	<u>36,319,719</u>	<u>36,319,719</u>	<u>-</u>	<u>-</u>
Mutual Funds				
Foreign large blend	5,833,813	5,833,813	-	-
Foreign large value	29,976	29,976	-	-
Foreign small blend	69,209	69,209	-	-
Diversified Emerging	69,532	69,532	-	-
Small value	84,881	84,881	-	-
Small growth	3,896,017	3,896,017	-	-
Medium value	13,010	13,010	-	-
Large blend	573,749	573,749	-	-
Large value	257,396	257,396	-	-
Large growth	255,217	255,217	-	-
Real estate	5,293,889	5,293,889	-	-
Bond funds	5,402,695	5,402,695	-	-
	<u>21,779,384</u>	<u>21,779,384</u>	<u>-</u>	<u>-</u>
Money market funds				
Certificates of deposit	2,312,074	2,312,074	-	-
U.S. government securities	1,638,225	-	1,638,225	-
Mortgage pool	4,781,026	-	4,781,026	-
CMO & Asset backed securities	4,317,295	-	4,317,295	-
Non-publicly traded securities and limited partnership interests	467,188	-	467,188	-
Real estate	553,134	-	553,134	-
Commodities	5,038,280	-	5,038,280	-
	<u>111,842</u>	<u>-</u>	<u>111,842</u>	<u>-</u>
	<u>19,219,064</u>	<u>2,312,074</u>	<u>16,906,990</u>	<u>-</u>
	<u>\$ 89,985,989</u>	<u>\$ 60,411,177</u>	<u>\$ 29,574,812</u>	<u>\$ -</u>

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

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15. FAIR VALUE MEASUREMENTS AND DISCLOSURES, continued:

The table below presents the level within the fair value hierarchy at which investments are measured at December 31, 2016:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate Bonds				
AAA	\$ 91,593	\$ -	\$ 91,593	\$ -
AA	844,803	-	844,803	-
A	4,423,525	-	4,423,525	-
BBB	7,537,507	-	7,537,507	-
	<u>12,897,428</u>	<u>-</u>	<u>12,897,428</u>	<u>-</u>
Equities				
Consumer goods	6,341,820	6,341,820	-	-
Industrials goods	2,435,433	2,435,433	-	-
Materials	1,871,198	1,871,198	-	-
Communication services	1,306,228	1,306,228	-	-
Energy	3,145,925	3,145,925	-	-
Real Estate	122,171	122,171	-	-
Technology	4,604,998	4,604,998	-	-
Healthcare	2,326,873	2,326,873	-	-
Utilities	3,490,771	3,490,771	-	-
Financial	4,247,512	4,247,512	-	-
	<u>29,892,929</u>	<u>29,892,929</u>	<u>-</u>	<u>-</u>
Mutual Funds				
Foreign large blend	4,388,577	4,388,577	-	-
Foreign large value	11,746	11,746	-	-
Small value	149,151	149,151	-	-
Small growth	3,531,477	3,531,477	-	-
Medium value	23,648	23,648	-	-
Large blend	525,296	525,296	-	-
Large value	366,479	366,479	-	-
Large growth	346,677	346,677	-	-
Real estate	4,275,813	4,275,813	-	-
Bond funds	4,865,729	4,865,729	-	-
	<u>18,484,593</u>	<u>18,484,593</u>	<u>-</u>	<u>-</u>
Money market funds	7,725,910	7,725,910	-	-
Certificates of deposit	1,883,207	-	1,883,207	-
U.S. government securities	4,126,524	-	4,126,524	-
Mortgage Pool	4,152,135	-	4,152,135	-
CMO & Asset backed securities	655,469	-	655,469	-
Non-publicly traded securities and limited partnership interests	642,773	-	642,773	-
Real estate	5,968,983	-	5,968,983	-
Commodities	109,250	-	109,250	-
Personal Property	236,640	-	236,640	-
	<u>25,500,891</u>	<u>7,725,910</u>	<u>17,774,981</u>	<u>-</u>
	<u>\$ 86,775,841</u>	<u>\$ 56,103,432</u>	<u>\$ 30,672,409</u>	<u>\$ -</u>

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements
December 31, 2017 and 2016

15. FAIR VALUE MEASUREMENTS AND DISCLOSURES, continued:

The Organization uses Net Asset Value (NAV) to determine the fair value of all investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments in other investment companies by major category in accordance with the *Fair Value Measurements and Disclosure* topic of the ASC of the December 31, 2017 and 2016:

	Fair Value at December 31,		Redemption Restrictions	Redemption Notice Period
	2017	2016		
Limited partnership (a)	\$ 2,078,055	\$ 1,683,054	No lockup Restrictions	End of month on 15 days' prior written notice

(a) Altegris Winton Futures Fund L.P. (Partnership) consists of speculatively traded commodity futures contracts, options on futures contracts, forward contracts and other commodity interest. The objective of the Partnership's business is appreciation of its assets.

There were no unfunded commitments as of December 31, 2017 and 2016.

16. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through April 30, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

Board of Directors
Mennonite Brethren Foundation and Affiliate
Hillsboro, Kansas

We have audited the consolidated financial statements of Mennonite Brethren Foundation and Affiliate as of and for the years ended December 31, 2017 and 2016, and our report thereon dated April 30, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Wheaton, Illinois
April 30, 2018

MENNONITE BRETHREN FOUNDATION AND AFFILIATE

Consolidating Statement of Financial Position December 31, 2017

	Mennonite Brethren Foundation	Mennonite Brethren Loan Fund	Eliminations	Total
ASSETS:				
Cash and cash equivalents	\$ 517,747	\$ 730,372	\$ -	\$ 1,248,119
Investments	57,655,330	24,478,515	(27,442,838)	54,691,007
Loans receivable, net	-	73,399,471	-	73,399,471
Interest receivable	-	264,217	-	264,217
Prepaid expenses and other	25,790	373,630	(5,436)	393,984
Property and equipment, net	87,045	2,120,443	-	2,207,488
Assets held in trust	15,425,699	-	-	15,425,699
Investments held for endowment	35,006,530	-	-	35,006,530
	<u>\$ 108,718,141</u>	<u>\$ 101,366,648</u>	<u>\$ (27,448,274)</u>	<u>\$ 182,636,515</u>
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable and accrued expenses	\$ 22,171	\$ 15,405	\$ (5,436)	\$ 32,140
Earnings payable	63,911	-	-	63,911
Certificates payable	-	91,033,254	(27,442,838)	63,590,416
Trust liability	13,633,204	-	-	13,633,204
Annuities payable - actuarial liability	2,885,242	-	-	2,885,242
Funds held for others	38,033,361	-	-	38,033,361
Pension funds held for others	266,931	-	-	266,931
	<u>54,904,820</u>	<u>91,048,659</u>	<u>(27,448,274)</u>	<u>118,505,205</u>
Net assets:				
Unrestricted:				
Board designated for endowment	5,542,878	-	-	5,542,878
Board designated for administration	436,986	225,000	-	661,986
Net investment in property and equipment	87,045	2,120,443	-	2,207,488
Undesignated	14,655,835	7,972,546	-	22,628,381
Temporarily restricted	9,576,363	-	-	9,576,363
Permanently restricted	23,514,214	-	-	23,514,214
	<u>53,813,321</u>	<u>10,317,989</u>	<u>-</u>	<u>64,131,310</u>
	<u>\$ 108,718,141</u>	<u>\$ 101,366,648</u>	<u>\$ (27,448,274)</u>	<u>\$ 182,636,515</u>

See notes to combined financial statements

MENNONITE BRETHERN FOUNDATION AND AFFILIATE

Consolidating Statement of Activities Year Ended December 31, 2017

	Mennonite Brethren Foundation	Mennonite Brethren Loan Fund	Eliminations	Total
CHANGES IN UNRESTRICTED NET ASSETS:				
Revenues:				
Interest on loans receivable	\$ -	\$ 3,566,678	\$ -	\$ 3,566,678
Contributions	5,573,906	-	(1,200,000)	4,373,906
Investment income	1,325,263	858,312	(183,075)	2,000,500
Gain on sale of property and equipment	97,644	-	-	97,644
Annuity contributions received	348,092	-	-	348,092
Change in value of charitable gift annuities	101,159	-	-	101,159
Fees and other	666,627	14,589	-	681,216
Reimbursements from MB Loan Fund	58,855	-	(58,855)	-
	<u>8,171,546</u>	<u>4,439,579</u>	<u>(1,441,930)</u>	<u>11,169,195</u>
Reclassifications:				
Net assets released from purpose restrictions	1,298,683	-	-	1,298,683
Transfer per donor stipulation	(667,091)	-	-	(667,091)
	<u>8,803,138</u>	<u>4,439,579</u>	<u>(1,441,930)</u>	<u>11,800,787</u>
Expenses:				
Program	5,591,512	3,817,962	(1,439,671)	7,969,803
Management and general	928,473	139,564	(1,500)	1,066,537
Planned giving activities	246,419	-	(759)	245,660
	<u>6,766,404</u>	<u>3,957,526</u>	<u>(1,441,930)</u>	<u>9,282,000</u>
Change in Unrestricted Net Assets	<u>2,036,734</u>	<u>482,053</u>	<u>-</u>	<u>2,518,787</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:				
Contributions	268,533	-	-	268,533
Fees and other	42,000	-	-	42,000
Investment income	3,239,501	-	-	3,239,501
Change in value of deferred gifts	(205,526)	-	-	(205,526)
Change in value of charitable trust agreements	308,282	-	-	308,282
Change in value of charitable gift agreements	(5,352)	-	-	(5,352)
Net assets released from restrictions	(1,298,683)	-	-	(1,298,683)
Transfer per donor stipulation	(161,851)	-	-	(161,851)
Change in Temporarily Restricted Net Assets	<u>2,186,904</u>	<u>-</u>	<u>-</u>	<u>2,186,904</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:				
Contributions	483,278	-	-	483,278
Investment income	(63,720)	-	-	(63,720)
Change in value of charitable gift annuities	(26,932)	-	-	(26,932)
Transfer per donor stipulation	828,942	-	-	828,942
Change in Permanently Restricted Net Assets	<u>1,221,568</u>	<u>-</u>	<u>-</u>	<u>1,221,568</u>
Change in Net Assets	5,445,206	482,053	-	5,927,259
Net Assets, Beginning of Year	<u>48,368,115</u>	<u>9,835,936</u>	<u>-</u>	<u>58,204,051</u>
Net Assets, End of Year	<u>\$ 53,813,321</u>	<u>\$ 10,317,989</u>	<u>\$ -</u>	<u>\$ 64,131,310</u>

See notes to combined financial statements